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REPORT OF THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 3 OF RESOLUTION 1111 (1997)

I. INTRODUCTION

1. In paragraph 3 of its resolution 1111 (1997) of 4 June 1997, the Security Council requested the Secretary-General to report to the Council, inter alia, prior to the end of the 180-day period, on the basis of observation by United Nations personnel in Iraq, and on the basis of consultations with the Government of Iraq, on whether Iraq had ensured the equitable distribution of medicine, health supplies, foodstuffs and materials and supplies for essential civilian needs, financed in accordance with paragraph 8 (a) of resolution 986 (1995) of 14 April 1995, including in his reports any observations he might have on the adequacy of the revenues to meet Iraq's humanitarian needs and on Iraq's capacity to export sufficient quantities of petroleum and petroleum products to produce the sum referred to in paragraph 1 of resolution 986 (1995). My 90-day report to the Council pursuant to paragraph 3 of resolution 1111 (1997) was submitted on 8 September 1997 (S/1997/685).

2. The present report provides information up to 15 November 1997 on the distribution of humanitarian supplies throughout Iraq, including the implementation of the United Nations Inter-Agency Humanitarian Programme in the three northern governorates of Dahuk, Erbil and Sulaymaniyah. The distribution of inputs under resolution 986 (1995) provided under Phase I and implementation of the humanitarian programme continues in all sectors. Since 2 November 1997, foodstuffs have begun to arrive under Phase II. The present report describes implementation of the programme since my previous report, as well as preparatory work in those sectors which have not yet received inputs authorized under the resolution.

3. Drawing on an internal review of the working of the programme, as well as regular reports and assessment by the United Nations agencies and programmes, the multidisciplinary observation unit, the geographical observation unit and the Office of the Iraq Programme, the present report includes observations on enhancing the effectiveness of the programme in order to make it more responsive in meeting the essential humanitarian needs of the Iraqi population.

4. Effective 15 October 1997, I established the Office of the Iraq Programme in order to consolidate and manage the activities of the Secretariat pursuant to

Security Council resolutions 661 (1990) of 6 August 1990 and 986 (1995) and subsequent resolutions. I also appointed Mr. Benon Sevan as Executive Director of the Office of the Iraq Programme, who will report directly to me. Senior Secretariat officials have continued to brief the Security Council Committee established by resolution 661 (1990) on a regular basis in addition to written reports that have been submitted to the Committee on all aspects of the implementation of resolutions 986 (1995) and 1111 (1997).

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

5. Owing to the delayed resumption in the sale of petroleum from Iraq under resolution 1111 (1997), the projected $500 million revenue shortfall in the 90-day revenue objective of $1.07 billion (including the pipeline fee) and the resulting humanitarian consequences, the Security Council, by its resolution 1129 (1997) of 12 September 1997, extended the first quarter to 120 days and limited the second quarter to 60 days. It has now been determined that the revenue generated for the first quarter is $1.07 billion (including the pipeline fee).

6. The overseers have reviewed and approved a total of 32 contracts involving purchasers from 14 countries: Algeria (1); Austria (1); France (2); Germany (1); India (1); Italy (1); Morocco (1); Netherlands (1); Russian Federation (11); Spain (2); Switzerland (2); Turkey (2); United Kingdom (2) and United States (4). The total quantity of oil approved for export under those contracts corresponds to approximately 125.6 million barrels for the 180 days. All contracts submitted employed the pricing mechanisms approved by the Committee on the recommendation of the overseers. In the first quarter, 57 loadings, totalling 65.4 million barrels, were completed. In the second quarter, as at 15 November 1997, 40 liftings, totalling 44.5 million barrels, with an estimated value of $780 million, have been completed. About 57 per cent of the liftings were made at Ceyhan, Turkey.

7. The overseers have continued to advise and assist the Committee on the pricing mechanisms, contract approval and modifications, management of the first and second quarter revenue objective of $1.07 billion (including the pipeline fee) respectively and other pertinent questions related to exports and monitoring, under resolutions 986 (1995), 1111 (1997) and 1129 (1997). The overseers and the independent oil monitors (Saybolt) deployed to observe oil loadings and transfers have worked closely to ensure the monitoring of the relevant oil installations as well as the liftings.

8. During Phase II of the implementation of resolution 986 (1995), the export of petroleum from Iraq has proceeded smoothly, with excellent cooperation among the overseers, the United Nations independent inspection agents (Saybolt), the Turkish authorities, the Iraqi State Oil Marketing Organization and the national oil purchasers. Based on the assessment of the overseers and the independent inspection agents (Saybolt), Iraq remains capable of exporting sufficient quantities of petroleum to meet the revenue target of $1 billion every 90 days.

III. PURCHASE AND CONFIRMATION OF ARRIVAL OF HUMANITARIAN SUPPLIES

9. Overall progress has occurred in the processing of both Phase I (first 180 days) and Phase II (second 180 days) applications. Some difficulties still remain, however, regarding the approval of applications by the Security Council Committee in sectors other than food and medicines, which are caused primarily by the complexity of the items, in particular with respect to spare parts. The improvements that have taken place are due in part to the adoption by Committee members of further measures intended to expedite their work, as well as through additional steps I have taken with respect to streamlining internal Secretariat procedures. Special emphasis has been placed on the Secretariat's role in facilitating the sharing of information among all parties concerned, thereby increasing the percentage of applications approved by the Committee (currently standing at 90 per cent of those submitted).

10. As at 15 November 1997, a total of 928 Phase I applications for exports of humanitarian supplies to Iraq had been received by the secretariat of the Security Council Committee, of which 857 had been submitted to the Committee for their decision, 56 had subsequently been cancelled and 15 were yet to be circulated. Of the 857 applications sent to the Committee, 764 were approved, 47 blocked, 30 were currently on hold and 16 are pending under the "no-objection" procedure. In monetary figures, over 96 per cent of the total dollar value of Phase I applications submitted to the Committee has been approved. With respect to Phase II, some 111 applications had been submitted to the Committee as at 15 November 1997, of which 105 were approved, 1 blocked and 5 are on hold. There are currently 88 applications not yet circulated, pending the availability of sufficient funds. Under the 13 per cent account, as at 15 November, 64 applications had been submitted and 51 approved under Phase II; under Phase I, a cumulative total of 303 applications had been submitted, of which 290 were approved, with 13 pending.

11. The United Nations independent inspection agents (Lloyd's Register), charged with authenticating the arrival of humanitarian goods in Iraq, have continued to carry out their mandate at the entry points at Trebil, Zakho and the port of Umm Qasr. In addition, on 29 September, the previously approved fourth entry point at Al-Walid (Iraqi/Syrian border) became operational; the first authentications by the 10 on-site inspectors subsequently took place on 3 November. In fulfilling their functions, the independent agents have received complete cooperation from the Iraqi authorities at all border crossings.

IV. UNITED NATIONS IRAQ ACCOUNT

12. A total of 746 letters of credit for humanitarian goods had been approved or issued pursuant to resolution 986 (1995) as at 15 November, which amount to approximately $1,175,908,000. As at 15 November, 819 payments totalling $823,621,000 had been paid to suppliers for deliveries of humanitarian goods under the terms of their letters of credit. At the same time, $357,654,000 was held as collateral to cover payments to suppliers whose letters of credit remain open.

13. A total of 54 letters of credit for humanitarian goods have been approved or issued pursuant to resolution 1111 (1997), which amount to approximately $473,316,000.

14. Between 11 August and 3 November, 109 letters of credit were confirmed by the Banque nationale de Paris pursuant to resolution 1111 (1997). The proceeds of those oil sales are expected to be approximately $1,914 million, but will vary in accordance with the market price of crude oil. As at 21 November, $1,537,366,526 in oil proceeds had been received in the United Nations Iraq Account.

15. Bulk purchases of food and medicine are financed entirely from the United Nations Iraq Account even though a portion of the bulk purchases is shipped to the three northern governorates. The reimbursement of the 53 per cent account for bulk goods delivered to the northern governorates is contingent on the receipt of certified reports on the quantities delivered to the relevant United Nations agencies.

16. The Security Council, in its resolution 1111 (1997), authorized the Government of Iraq to export petroleum and petroleum products for another period of 180 days, starting from 8 June 1997. As the export of oil did not commence until 8 August, oil proceeds only started to flow into the Iraq account from 12 September. As at 21 November, a total of $1,537,366,526 had been deposited to the account for the second 180-day period.

17. The allocation of total oil proceeds received to date and the corresponding expenditures are as follows:

(a) $738.2 million has been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of resolution 986 (1995). Letters of credit issued by the Banque nationale de Paris on behalf of the United Nations for the payment of those supplies for the whole of Iraq amounted to $473.3 million;

(b) $181 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of the resolution. Expenditures recorded for humanitarian goods approved by the Security Council Committee amounted to $41.3 million;

(c) $417.6 million has been transferred directly to the United Nations Compensation Fund as specified in paragraph 8 (c) of the resolution. Of that amount, a total of $96.2 million has been allotted, of which $20.1 million was for the operating expenditures of the Compensation Commission and the balance for payment of second instalment of "A" and "C" claims;

(d) $30.8 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amounted to $22 million;

(e) $10.4 million has been allocated to the United Nations Special Commission for its operating expenses, as specified in paragraph 8 (e) of the resolution. Expenditures for the Special Commission amounted to $8.4 million;

(f) $145.4 million has been set aside for the transportation costs of petroleum and petroleum products originating in Iraq exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of the resolution and in line with procedures adopted by the Security Council Committee. $69 million has been allocated, of which $48.3 million has been disbursed for pipeline fees in November 1997;

(g) $12.3 million has been transferred directly to the escrow account established pursuant to resolutions 706 (1991) of 15 August 1991 and 712 (1991) of 19 September 1991 for the repayments envisaged under paragraph 6 of resolution 778 (1992) of 2 October 1992, as specified in paragraph 8 (g) of resolution 986 (1995).

18. The audit of the United Nations Iraq Account was completed by the United Nations Board of Auditors on 4 November 1997. A four-member audit team visited Iraq from 4 to 12 October and United Nations Headquarters from 14 October to 4 November 1997. The report of the Board of Auditors is expected to be released by the end of January 1998.

V. IMPLEMENTATION OF THE DISTRIBUTION PLAN

19. There have been no major changes to the distribution mechanisms used by the Government of Iraq for inputs pursuant to resolutions 986 (1995) and 1111 (1997) in either the food or medical sectors (see S/1997/419 and S/1997/685). The distribution systems for the water and sanitation, agriculture, electricity and education sectors are described for the first time in a separate report to the Security Council Committee.

20. As at 15 November 1997 (the cut-off date for all relevant data), an estimated cumulative total of 2.69 million tons of food and related items had arrived in-country, accounting for 92 per cent of the approved contracts, and a cumulative total of 286 tons had reached the warehouses under Phase II, accounting for 0.015 per cent of total contracts approved. The Ministry of Trade expects the remaining commodities under Phase I to arrive by January 1998. Applications for foodstuffs totalling $910,138,000 had been approved, which exceeded the sectoral allocation of $810 million; part of the difference was paid from the interest on revenues in the 53 per cent account. A cumulative total of 2.52 million tons had been distributed to governorates.

21. Ninety-nine applications for some 1,877,575 tons of food had been approved under Phase II, worth some $632 million. Available stock and current authenticated deliveries, as well as unauthenticated stock available at port, fall short of November's requirement for wheat (57 per cent only), but exceed November's requirement for other commodities being distributed. Under Phase II, foodstuffs began arriving on 4 November.

22. Only in August and September were foodstuffs sufficient for a complete distribution of the food basket. It takes on average 4 to 9 days (depending on the governorate) for food commodities to reach the warehouses. Annex I shows cumulative arrivals, distribution, mid-month stock balance and ration scales used in the reporting period.

23. Medicines and medical appliances received are 42.6 per cent of the total allocation of $210 million ($181 million for 15 governorates and $29 million for the 3 northern governorates). This represents 51 per cent of the approved contracts. During the period under review, the rate of arrivals has noticeably increased, with some 33 per cent of goods authorized under this sector arriving in Iraq, compared with 9.6 per cent for the period from May to September. Annex II shows the arrivals of medical supplies by category and value.

24. Under Phase II, 56 medical contracts have been issued, with a value of $25,803,172; as at 15 November, 4 had been approved, for a total $4,777,768; one was pending, worth $1,240,488; one worth $1,059,883 had been placed on hold and a further 25 valued at $7,676,352 have been processed and are awaiting the availability of funds. The first deliveries from these approvals are expected early in 1998, with the bulk arriving within an estimated period of four to six months later.

25. General medical supplies worth approximately $34 million had been distributed to governorate departments of health for onward distribution to health facilities. Other arrivals are waiting for quality control testing before distribution. Medical goods received under resolution 986 (1995) were distributed through the existing distribution system in the private sector according to paragraph 4 of distribution plan I for the first time in August. Throughout the reporting period, Kimadia maintained a central buffer stock of between 5 to 10 per cent of selected items to deal with public health emergencies and outbreak of diseases. The Ministry of Health releases supplies from the buffer stock as newly arrived stock becomes available as replacement. A joint Ministry of Health/sectoral observers committee will review the items retained as part of the buffer stocks.

26. In the water and sanitation sector, applications worth $17,589,252 had been approved under Phase I, representing 73 per cent of the total $24 million allocation. The first delivery occurred in September and goods worth $6,181,716 had arrived as at 15 November. These included water-purification chemicals (chlorine gas and alum sulphate), dosing pumps and chlorinators. Ten per cent of the liquid chlorine has been delivered to the Baghdad Water and Sanitation Authority for distribution and 90 per cent to the General Establishment for Water and Sewerage for distribution among the remaining 14 governorates. Since the first delivery of liquid chlorine gas, 445 tons (16 per cent of the total) expected have arrived. The allocation is expected to be completed by March 1998.

27. In the electricity sector, under Phase I, a total of $23 million out of the total $36 million allocation had been approved, 3 applications for equipment worth $1 million remained on hold and 12 applications worth $4.8 million remain blocked. The first delivery was made on 17 September. Since then, equipment worth $3.7 million, over 10.5 per cent of the allocation, has been received. It

has been distributed to the thermal power stations designated to receive inputs pursuant to resolution 986 (1995) under Phase I; distribution equipment consisting of power grid cable and transformers has been distributed to four General Establishment of Electricity Distribution facilities in Baghdad and central, north and south Iraq. According to the Ministry of Industry, the remaining inputs, pursuant to resolution 986 (1995) are expected by September 1998. A further $36 million has been allocated for this sector for Phase II, under which 17 applications have been submitted to the Security Council Committee.

28. In the agriculture sector, applications worth a total of $17.1 million were approved under Phase I, representing 71 per cent of the total $24 million allocation. The first delivery was made in September and as at 15 November, goods worth $4.1 million (17 per cent) had arrived. The long delivery times necessary for agricultural supplies have been such that some 60 per cent of arrivals (pesticides, harvester spare parts and bee-keeping supplies) missed the summer season and will not be used before March 1998. Applications for agricultural machinery, plant protection and veterinary inputs worth $18,077,598 have been submitted, representing 75 per cent of the $24 million Phase II allocation, and a further five contracts are yet to be submitted.

29. In the education sector, applications worth $8,502,100 had been approved under Phase I, representing 70 per cent of the total $12 million allocation. The first deliveries missed the start of the school year in September and are not expected until the first term of 1998. It was also not possible to begin with the rehabilitation of 2,000 schools planned in Phase I and II and the production of 75,000 school desks. The production of 7.5 million textbooks has not been initiated because spare parts for printing presses and paper have not yet been procured. These items need to be procured jointly. Under Phase II, 11 applications for educational materials worth $9,591,153 had been submitted to the Security Council Committee; 10 applications worth $9,153,234 have been approved.

Implementation of the distribution plan by the United Nations in the three northern governorates

30. In the governorates of Dahuk, Erbil and Sulaymaniyah, implementation for most sectors, in particular resettlement and agriculture, has accelerated over the period of the report. Health supplies, medicines, nutrition and education have all shown recent modest improvements. The first distribution of a full food ration in August was followed by late distributions in September and reduced distributions in October and November. The resumption on 13 October of active hostilities in the three northern governorates has also been a setback to the humanitarian programme. Food distribution continued through local authorities, however, in places where the World Food Programme (WFP) could not reach local ration agents.

31. The security situation in the three governorates deteriorated during the reporting period. In Dahuk, in September, heightening tension and alleged abuses against civilians led over 650 families to flee their homes. In addition, based on WFP registrations and interviews with internally displaced persons, the United Nations Office of the Humanitarian Coordinator for Iraq

estimates that a total of up to 10,000 people have been displaced during the period under review.

32. United Nations convoys were fired upon on 29 September, and again on 6 October, in areas of ongoing military operations. Travel on the main road between Erbil and Sulaymaniyah has been periodically disrupted by combat operations and requires prior reconnaissance, coordination and accompanying escort by the United Nations Guards Contingent in Iraq. The local practice of commandeering of private trucks and vehicles by the two fighting forces has sometimes posed difficulties for agencies such as WFP and the Food and Agriculture Organization of the United Nations (FAO), which rely heavily on local transport for moving supplies. Interruptions to the electrical power supply to Erbil governorate have had a serious adverse effect on water and sanitation and other essential services in the governorate.

33. The food ration for the three northern governorates is procured under the bulk purchase arrangement by the Government of Iraq. Some improvement in flour deliveries to Sulaymaniyah has occurred as a result of increased output from the Kirkuk mills. Some 320,572 tons of food and related commodities reached WFP warehouses in Kirkuk and Mosul as at 31 October, compared with a total requirement of 310,000 tons. At the same time, efforts to improve the network for onward distribution have continued. Malpractice in the distribution system led to a considerable number of complaints by the beneficiaries, which forced the authorities concerned to take action against about 100 food agents. As a result, there has been a noticeable drop in beneficiary complaints.

34. Shortages in supply at the national level, coupled with local logistical difficulties, resulted in September's ration not being fully delivered until well into November. Continuing shortages in October precluded inclusion of vegetable ghee, salt, soap and about half the entitlement of pulses in that month's ration. Supplies for November appear to be equally uncertain. As mentioned in paragraph 24 of my last report (S/1997/685), government stocks are not available in the north to offset these periodic shortfalls.

35. In the nutrition sector, WFP has continued to provide supplementary feeding to about 328,000 persons, including pregnant and nursing mothers, residents of hospitals and other institutions and returning refugees or internally displaced persons awaiting registration for resolution 986 (1995) food rations. Procurement and delivery of such allocations has commenced as most of the supplementary feeding stocks acquired by WFP prior to the implementation of the resolution have now been expended. Since my last report, UNICEF has distributed an additional 66.3 tons of nutritional supplies to about 25,000 vulnerable children through a network of 13 nutritional rehabilitation centres and 87 primary health care centres. In September and October, training was provided to local authorities, doctors and medical workers in administering and monitoring the programme. A mobile assessment team, formed in September, reported some early improvement in late October in the nutritional status of targeted groups in the northern governorates.

36. Although the quantity of Phase I medicines arriving in the north since my last report has increased from about 3 per cent to 16.2 per cent, the pace of arrival is dependent on the receipt of supplies at the central warehouses in

Baghdad. Sequencing and prioritization also continue to present difficulties, with basic medicines arriving later than more specialized drugs. Because of its contracting arrangements with the private sector, the World Health Organization (WHO) has not encountered problems with respect to the onward transport of medicines from the governorate warehouses to the 29 hospitals and approximately 400 health care centres in the area. Although not at a satisfactory level, the availability of medicines is beginning to be reflected in increased patient attendance and higher activity rates at laboratories, surgeries and other health care services.

37. Since my last report, the arrival of WHO supplies for upgrading hospital services has risen to over 26 per cent of the Phase I allocation. Discussions with local authorities on Phase II are addressing rehabilitation of health facilities for improving conditions for patients and delivery of services and for overcoming the supply management and storage difficulties experienced by many health facilities. The completion of renovation work at the three main warehouses in the three governorates has resulted in fairly adequate storage conditions for medicines and other supplies.

38. Implementation of the epidemiological surveillance and control programme has also commenced, with 125 physicians and 105 paramedical personnel receiving training in surveillance activities for communicable diseases as well as in improving data collection and reporting.

39. In the water and sanitation sector, UNCF has continued, with the authorities concerned, the lengthy preliminary planning, on-site coordination and procurement activities required to improve water and sanitation facilities, including chlorination of water, in accordance with priorities identified in a survey earlier in 1997. About one third of the project design has been completed. Five per cent of the water and sanitation materials under Phase I had been delivered to governorates as at 7 November, with long lead times involved in obtaining allocation of funds following approval by the Security Council Committee; placing of orders (many prices were considerably higher than anticipated, requiring adjustment to suit authorities' priorities) and time-consuming manufacturing processes. The remaining materials required for the construction and installation of Phase I projects are expected to arrive by June 1998. Installation of the supplies received at project sites are expected to be completed by December 1998. Applications to the Security Council Committee have been submitted and approved for 79 per cent of Phase II commodities.

40. In the agricultural sector, $20,110,000 was allocated to FAO under Phase I, which was followed by $26,000,000 under Phase II. Under Phase I, as at 15 November, goods worth $11.2 million had arrived. Of the $5.5 million arrivals out of the $7 million worth of agricultural supplies submitted for approval in the first priority list, 97 per cent did not arrive in time for the 1997 summer planting season and only a limited quantity of agrochemicals was distributed. The impact on the planting season was therefore minimal. Some 75 per cent of summer inputs have now arrived and the unused summer supplies are being held over in storage until their use in next year's season. Winter inputs have begun to arrive and as at 15 November, some 36 per cent of available supplies had been distributed to farmers by FAO. It is expected that a further

$5 million worth of winter supplies will arrive by early December, in time for optimal implementation. Some 35 per cent of the expected total shipment of seeds and fungicides have arrived and 14 per cent of the overall winter inputs have already been distributed. At the end of the 1997/98 winter season it is expected that winter crops will have lower production costs, because inputs under resolution 986 (1995) are provided free or at heavily subsidized prices, and resulting higher yields. Additional projects for bee-keeping commenced on 20 October, as well as ongoing livestock health control campaigns.

41. In the electricity sector, the United Nations Development Programme (UNDP) and the Department of Economic and Social Affairs of the Secretariat are responsible for implementation. The programme is intended to improve the transmission and distribution networks as well as to rehabilitate the hydro-electric power stations of Derbandikhan and Dokan to improve the reliability and continuity of the generated output. Under Phase I, applications worth $20.6 million have been approved out of the total allocation of $23,270,000 (including $10.1 million reassigned from the original allocation for winter heating fuel). All applications for Phase I have been submitted to and approved by the Security Council Committee. Applications for $4 million worth of goods have been submitted under Phase II. The major portion of Phase I equipment is expected to arrive by September 1998 and equipment funded under Phase II is expected to arrive throughout 1999. These unusually long lead times are the result of the need to obtain nearly all of the components from the original manufacturers who will then have to undertake custom engineering. Procurement lists provided by local authorities have also required substantial modifications to specifications. There is concern about the structural condition of the dams. A further external assessment that is urgently required was due before the end of the 180-day period but has now been postponed to 1998 as a result of the recent unstable security situation. Notwithstanding the disruption of the power supply from Sulaymaniyah to Erbil governorate following recent hostilities, United Nations staff have worked with technical personnel in both governorates to maintain momentum in addressing the serious technical difficulties experienced by this sector.

42. UNICEF and the United Nations Educational, Scientific and Cultural Organization (UNESCO) share the responsibility for supporting education, an area confronted with serious problems, including deterioration of buildings, lack of teaching aids and textbooks, compounded by population shifts and overcrowding in many areas. In addition, since the arrival of food pursuant to resolution 986 (1995), many children have been able to stop employment activities and return to school. Consequently, enrolment rates have increased. As at 15 November, UNICEF had received 22 per cent of its Phase I materials. Approximately 80 per cent of the basic educational supplies received have been distributed to 2,020 primary schools reaching 409,000 students enrolled in the current school year. Fifty per cent of the needs for the production of desks will be covered under Phases I and II; production by UNESCO is under way in Erbil and Dahuk and is expected to start soon in Sulaymaniyeh. Physical rehabilitation of schools will cover 7 per cent of the required needs under Phase I and 13 per cent under Phase II.

43. Under Phase II, UNICEF will assist about 10,000 disadvantaged children, including orphans, the disabled and others who have been abandoned or are unable

for economic reasons to attend schools. Supplies and materials valued at $1.8 million have been ordered for children in institutions or camps for internally displaced persons. With the educational authorities, it is also planned to expand the Yafeen school system for drop-out and working children aged between 15 and 18 years under the Department of Education, to provide basic education and skills. A programme for the early detection of disabilities among children has also been begun with health authorities.

44. Full deployment of international staff in September has enabled UNESCO to establish its offices and warehouses, establish a materials tracking system, finalize preparations for the manufacture of school desks, coordinate construction projects with the authorities and commence tendering of contracts. All the UNESCO Phase I allocation has been submitted and 98 per cent approved by the Security Council Committee, and 20.9 per cent of the goods have arrived in northern Iraq. Contracts have been finalized for the rehabilitation and construction projects included in Phase I and production of 7,000 school desks is under way. Implementation planning has also begun with the authorities on the content of professional development and training programmes, which are the second major aspect of UNESCO responsibilities.

45. In paragraph 34 of my last report, I drew attention to the serious problem of internally displaced persons, then numbering about 500,000 persons, or approximately 16 per cent of the population of the three northern governorates. The associated needs for housing and supporting infrastructure are enormous. The shelter sector, assigned to the United Nations Centre for Human Settlements (Habitat), comprises a wide range of construction projects, including houses, schools, irrigation channels, access roads, water and sanitation and health facilities. The projects are designed as packages of multisectoral activities that will provide socio-economic support and sustainability for resettlement communities. They will enable internally displaced persons to return with confidence to their villages of origin and to end their situation of dependency. In implementing the programme, Habitat is placing strong emphasis on community participation in all stages of the development of the programme.

46. Between 27 September and 15 November, the estimated value of Phase I contracts approved increased from 36 per cent to 68 per cent, with 26 per cent of construction now under way. Three sanitation projects in areas where internally displaced persons live have been completed. It is estimated that Phase I construction projects will be completed by July 1998 and that Phase II projects will be finished by August 1998. In addition to the specified allocation for resettlement, internally displaced persons continue to benefit from other programmes under resolutions 986 (1995) and 1111 (1997). During the reporting period, Habitat has worked with the authorities concerned to finalize a project list for the $6 million allocated under Phase II.

47. In the demining sector, under Phase I, the United Nations Office for Project Services was allocated $2.3 million to initiate a demining programme. The Office has already procured a significant quantity of equipment and vehicles under Phase I, most of which have already been imported into Iraq. Two international staff have recently been deployed, including the programme's Project Coordinator. Unfortunately, implementation has been temporarily

disrupted by the recent unexpected withdrawal of the implementing partner. The Office is attempting to identify a replacement.

VI. OBSERVATION MECHANISM AND ACTIVITIES

48. The workings of the three tiers of United Nations observation with regard to the food and medical sectors were explained in my previous reports (S/1997/419 and S/1997/685). Annex III shows observation activity by United Nations observers in the reporting period.

49. As a general feature of observation in the 15 governorates, United Nations observers carefully study the distribution system and state of the facilities in each sector and analyse the criteria for the allocation of items allowed by resolution 986 (1995) among the population and across the governorates. All commodities entering Iraq for all sectors are tracked or spot-checked from the point of entry, or the relevant central warehouses, to the regional/governorate warehouses, intermediary storages or processing plants, end-user facilities, sites and individual beneficiaries. In the process, all relevant documentation, as well as computer records, are carefully examined against the specifications and quantities of the items under various "comm" numbers, allocation plans and distribution schedules. Ledger accounts and electronic data thus obtained are verified against the inventories of items under observation, through regular, but unannounced, physical stock counts. The findings are then evaluated and synthesized and general conclusions are drawn concerning the three aspects of the mandate of the observation mechanism. All deficiencies and discrepancies are accurately interpreted and reported. In addition, observers have increasingly, albeit informally, endeavoured to propose short- and long-term remedial action with regard to the anomalies.

50. In the process, United Nations observers have developed and further enhanced their observation and tracking methodology, tools, database, analysis and reporting. These have enabled the observation mechanism to document tracking, check and record physical stocks and assess the impact. The document tracking element involves the monitoring of the supply of commodities from the raising of orders by the Government of Iraq, to the Security Council Committee clearance, shipping of commodities, authentication by the Lloyd's Register and the receipt of goods by the Government. The checks of the physical stock accounting records involve tracking of items throughout the distribution and utilization phases. The impact assessment involves the collection of data, interviewing beneficiaries and the analysis of benchmark figures from the pre-sanctions period and the sanctions period both before and after resolution 986 (1995). Special methodologies have been developed for tracking the dual-use items in each sector.

51. Owing to the fact that United Nations agencies and programmes are in charge of the implementation process in the three northern governorates, observation activities acquire a dual character of technical assistance and spot checks of intermediary distributors and beneficiaries. In the food sector, international United Nations observers and WFP national assistants have maintained rigorous scrutiny of all aspects of distribution under resolution 986 (1995). For the period between July and 12 November, some 26,523 food and flour agents were

interviewed, as were some 53,046 individuals representing up to 424,368 family members. In the medical sector, between 5 June and 15 November 1997, observers carried out 3,009 observations in the health facilities, including central and governorate warehouses and sub-warehouses, hospitals, clinics and health centres. Particular attention has been paid to the utilization of private pharmacies as a means of distributing drugs allowed by resolution 986 (1995) and special studies are under way to assemble essential baseline data with regard to both infrastructure and epidemiology. Whereas the low rate of initial receipts allowed intensive observation of items, the accelerating pace has led to the adoption of a more selective approach both to the items observed and to visits to health facilities.

52. With the arrival of resolution 986 (1995) inputs in almost all sectors, the range of observation has increased. In the water and sanitation sector, as at 15 November, United Nations observers had conducted 102 observations at central and governorate warehouses and water and sewage treatment plants. Some 30 per cent of facilities designated to receive resolution 986 (1995) inputs had been visited in order to assess the state and readiness of these facilities to store/utilize those supplies. In order to meet the concerns of the Security Council Committee to ensure the authorized use of chlorine gas supplies, United Nations observers paid particularly close attention to the receipt, storage and utilization of chlorine gas, as well as the dispatch of the empty cylinders to Turkey. In the education sector, United Nations observers have undertaken pre-implementation visits to school furniture workshops, the Ministry of Education's Printing Press in Baghdad, its central warehouse and 87 schools in central and southern governorates.

53. In general, United Nations observers report that they continue to be granted ready access to facilities and records on request. They have enjoyed full freedom of movement throughout the country. However, United Nations observers continue to report frustration expressed by beneficiaries owing to the late and erratic arrival of foodstuffs as well as complaints about the low quality and quantity of some foodstuffs, and the continuing shortage of medicines, education supplies and electricity. Some beneficiaries have declined to be interviewed in protest at the perceived responsibility of the United Nations for their difficulties.

VII. FINDINGS ON EFFECTIVENESS, EQUITABILITY AND ADEQUACY

Effectiveness

54. The erratic arrivals of foodstuffs have led to the reduction in the amounts of some commodities distributed, as shown in annex I. The Ministry of Trade has been obliged to shift stocks between warehouses at short notice to meet shortfalls. In the reporting period, food distribution to beneficiaries spilled over into the following month. Ration agents have continued to make multiple visits to collect their allocations, leading to ongoing complaints about additional transport costs.

55. The processing and distribution of flour was again subject to marked difficulties. Insufficient grain stocks, erratic power supplies, inadequate

back-up generators and shortages of spares caused the closure of up to 10 out of the 109 mills at any given time. This, in addition to late arrival of wheat grain, led to delays in October's distribution, which was completed only around 8 November.

56. In the health sector, United Nations observers noted continued improvements in the reporting period in record keeping at many health facilities, including private pharmacies. United Nations observers have continued to bring to the attention of the Ministry of Health the difficulties experienced by most governorate health facilities in collecting commodities under resolution 986 (1995) in a timely or appropriate fashion. Transport problems continue to hamper the regular flow of medicines and medical supplies from the Kimadia warehouses to the governorates and on to health facilities, which may take up to several weeks. In addition, the random and partial arrival of medicines under Phase I continues to be a constraint as regards their efficient use in the provision of health care. The weekly Ministry of Health/United Nations informal coordination meeting has now begun to keep track of corrective actions undertaken in response to observers' comments.

57. Under Phase II, the Ministry of Health is anticipating the repair of major infrastructure defects in up to 113 hospitals, which is expected to improve conditions for both health personnel and patients. Despite efforts to solve distribution problems, with the increasing volume of arrivals, a risk remains that the health facilities' transport arrangements will continue to deteriorate unless effective means are provided.

58. With regard to water and sanitation inputs, United Nations observers reported that those supplies which have been distributed to date have been transported efficiently to end-users and that all documentation has been properly maintained. Nevertheless, resolution 986 (1995) inputs to assist in water purification are insufficient for the sector's needs. The distribution plan prepared by the water authorities was based on the water and sanitation database for requirements of equipment and spare parts established and updated by UNICEF and a collaborating partner.

59. With the delays in the arrival of water and sanitation supplies and the relatively small allocation to this sector, there is hardly any measurable improvement so far. Within the limited available resources under Phases I and II, the strategy followed in drawing up the distribution plans gave priority (a) to enhancing the quality of water in all existing plants by providing liquid chlorine gas (the quantity arriving under Phases I and II covers the national requirements for a nine-month period), representing about 6 per cent of the national requirement for alum sulphate and chlorine powder; (b) improving the performance of 164 water-treatment plants, 279 compact water-treatment plants, 22 water-boosting stations, 48 sewage pumping stations and 10 sewage-treatment plants by 15 to 35 per cent through provision of certain urgently needed supplies; (c) improving the state of the existing water distribution network by 8 per cent through provision of 96 kilometres of pipes and fittings; (d) enhancing the performance of the sewage disposal system by 7 per cent through the procurement of 47 sewage tankers and sewer declogging vehicles; and (e) finally, enhancing water quality control and the monitoring and follow-up system by procurement of vehicles.

60. In the agricultural sector, United Nations observers have surveyed all 45 central and governorate warehouses of the Ministry of Agriculture that will store resolution 986 (1995) inputs. It was assessed that storage facilities for mechanical inputs and agro-chemicals were adequate. However, there is concern over the functionality of electricity, cold storage facilities and transport available for the cold-chain distribution of veterinary vaccines and thermo-sensitive drugs. During the survey, concerned officials were requested to store resolution 986 (1995) inputs separately from other supplies, in separate warehouses where possible, and with dedicated record keeping ledgers. The Ministry of Agriculture is in the process of revising the allocation plans for agricultural supplies on the basis of in-country arrivals. The 60 per cent of arrivals that missed the 1997 summer season will be stored until the following season.

61. In the electricity sector, the end-users for most items are specified in the contracts, so have been sent immediately to their final destination after they have been checked at the central warehouse. Supplies for the repair of distribution lines and other general purpose materials, such as high-voltage cables and transformers, will be distributed according to allocation plans drawn up by the General Establishment for Electricity Distribution. The allocations reflect the most urgent priority needs for the electricity sector. Efficiency was hampered by the complex nature of the sector and by the arrival of supplies in an uncoordinated manner.

62. In the education sector, pre-observation visits by United Nations observers to schools and facilities have confirmed that the sectoral allocation plan and necessary warehousing and transport arrangements are in place to ensure effective distribution once supplies arrive throughout the 15 central and southern governorates. In the three northern governorates, in the reporting period, all 2,020 primary schools included in the distribution plan under resolution 986 (1995) have received student and teacher/classroom kits.

63. In the resettlement sector, in the three northern governorates, Habitat has appraised, designed and tendered 70 per cent of the projects considered under Phase I of resolution 986 (1995). Approximately 20 per cent of the projects are now under implementation and activities are well within their originally planned implementation schedule. This satisfactory implementation rate has been achieved despite constraints created by the initial irregular allocation of operational resources and the lengthy procedure for obtaining contract committee approval from headquarters at Nairobi.

Equitability

64. In the health sector, United Nations observers report that because of the random arrival of supplies, to date a disproportionate amount of medicines and medical supplies have been received for specialized centres. As a result out of some 40 items normally provided to health centres with resident doctors, only some 4 or 5 had been provided from resolution 986 (1995) supplies by 15 November. Because of this situation, the Ministry of Health stopped distribution to private pharmacies during the month of October, giving priority to the public sector.

65. In the water and sanitation sector, resolution 986 (1995) supplies have been distributed according to allocation plans drawn up by the respective water authorities of the 15 governorates on the basis of population and existing water network needs.

66. The distribution plan for the agricultural machinery and spare parts inputs has been supplied by the Ministry of Agriculture for each governorate. Variances may occur to the actual physical distribution as a result of changes in cropping patterns, varying food demands, weather restrictions, location of weed, insect and disease infestations, future machinery malfunctions that were not foreseen, the number of contracts approved and/or blocked, plus seasonal machinery activities (e.g. the majority of harvesters move to the south for the early harvest and migrate north as the crops ripen and become ready for harvest). Logically, the larger sprayers (1,000- and 400-litre) will be distributed to the larger-scale farmers and the smaller sprayers (100-litre and knapsack) will be distributed to the smaller-scale farmers. Currently, the distribution of ground sprayers is complicated by the need for inspection before distribution, resulting from their dual-purpose classification. Only 6 per cent of the mechanical inputs have arrived and they are still in the process of distribution; final distribution figures are therefore currently incomplete.

67. In the resettlement sector, resources have been equitably allocated to the targeted group of internally displaced persons. Programme planning and project selection is based on the commitment of communities and local institutions to support and participate in programme activities.

68. Although shelter and human settlements rehabilitation needs in the 15 governorates are similar to if not more pressing than those in the three northern governorates, they have not been covered by the provisions of Phases I and II of resolution 986 (1995). This lacuna has resulted in the gradual and systematic breakdown of infrastructure services in the 15 governorates and in a sharp increase in unattended shelter needs among the most vulnerable sectors of the population. Equity between the 15 governorates and the 3 northern governorates has not been achieved in this sector.

Adequacy

69. The UNICEF multiple indicator cluster survey, conducted in 1996 by a team of international experts commissioned by the central statistical organizations and UNICEF in the 15 governorates, indicated that the rate of acute malnutrition or wasting in children of up to five years old was 11 per cent, chronic malnutrition, which results in stunting, affected 31 per cent and 26 per cent were underweight. Two additional nutritional status surveys, conducted by the Nutrition Research Institute with active UNICEF participation and supervised by international observers in the 15 governorates in April and October 1997, indicated that the situation of general malnutrition of infants had not improved since the multiple indicator cluster survey. Likewise, a FAO/WFP assessment conducted in June 1997 in Baghdad and Kerbala confirmed high levels of malnutrition in children and in adults.

70. The current food ration of 2,030 kilocalories and, in particular, its composition fall far short of meeting the nutritional needs of the Iraqi

population. This is particularly valid since nutritional security is contingent upon a host of interrelated factors, such as safe water and available medicine, which are grossly inadequate at the moment. The current ration, even if it is distributed completely and in a timely manner, cannot address the chronic malnutrition and energy deficiency in adults. In order to improve the current serious situation, an enhanced ration is required.

71. Under Phase I, spares for mills worth $2,846,451 were authorized out of a total $17,074,909 allocation for food-handling equipment. In September the first delivery of milling spares was received by the State Company for Grain Processing and a total worth $267,032 have been received so far; these will be distributed according to the allocation plan. These spares meet some of the requirements of mills and would help in sustaining the current productivity levels. Of the remaining $2,579,419 worth of Phase I spares for mills, a sizeable portion is expected to arrive by March 1998. To prevent further deterioration of milling capacity and to facilitate the timely distribution of flour to ration agents, a wide range of milling spares is required for over 35 mills as a priority requirement, including expendable items for all the 109 mills. Under Phase II, an additional $36 million has been allocated for food-processing spare parts and equipment. In both Phases spare parts for bakeries have been included.

72. In the health sector, United Nations observers regularly report an exceptionally serious deterioration in the health infrastructure: a high infant mortality rate and high rates of morbidity and mortality in general, poor and inadequate storage conditions for supplies, an unreliable supply of electricity and back-up generators, faulty or non-functioning air-conditioning, defective cold-storage, interrupted water supplies, broken/leaking sewage systems and non-functioning hospital waste disposal systems. With such poor services the utilization of new equipment and other inputs under resolution 986 (1995) would result in much reduced benefits. Inputs under the resolution in the health sector will remain of limited impact if other related areas, such as proper treatment of water supply and sewage, electricity, improved quality of food rations and critical environmental problems, are not adequately addressed.

73. A survey conducted by WHO in early November 1997 in the 3 northern governorates and 5 randomly selected governorates among the other 15 showed that out of 96 per cent of patients interviewed to whom treatment had been prescribed, only 39 per cent had received all the prescribed drugs and for 28 per cent of them prescribed drugs were not available in the health facilities visited. Sixty per cent of those interviewed expressed dissatisfaction with the services provided and 89.5 per cent with the non-availability of medicine, while 11 per cent complained about the non-availability of diagnostic services such as laboratory tests.

74. United Nations observers report that supplies of drugs delivered to date are inadequate, uneven and, in some cases, inconsistent. Whereas one of the items delivered to date for the treatment of a chronic disease has been estimated to provide a year's supply, those for the treatment of chronic disease complications are estimated by Iraqi health professionals to be sufficient for only two to seven weeks. As for supplies to treat acute respiratory disease and

diarrhoea, associated with 50 per cent of mortality among children under five, deliveries have been grossly insufficient.

75. The 102 visits to project sites by United Nations observers and the extensive information database collected monthly over the last two years by UNICEF and a collaborating partner indicate a shortage of funds under Phases I and II in the 15 governorates to cover the most urgent spare parts needed for all the 210 sophisticated urban and 1,200 rural water treatment plants and 10 sewage treatment plants and for immediate repair and maintenance of the large pipe network system (both water and sewage) in an urbanized society (70 per cent of the population). Moreover, additional special vehicles such as water and sewage tankers and mechanical and electrical equipment for completed work projects are needed. A total of $600 million is estimated by the Government of Iraq as necessary to meet the most urgent needs described above.

76. In the agricultural sector, inputs under resolutions 986 (1995) and 1111 (1997) will assist the Ministry of Agriculture in its efforts to increase food production and security. Clearly the allocation under resolution 986 (1995) cannot ensure that more than a small percentage of agricultural equipment is maintained or brought back into service owing to the small allocation in comparison to the number of machines. Under Phase I, $2,705,531.00 was allocated to spares for 7,857 tractors ($344.34 per machine) and $401,141.55 was allocated to spares for 3,710 combine harvesters ($108.12 per machine), as well as $3,443,304.00 for new tractors. An allocation plan exists for the new tractors and the spares will be distributed on a needs basis once the need is verified. With regard to pesticides and insecticides, it is expected that inputs under resolution 986 (1995) authorized to date will enable the treatment of 250,000 to 500,000 hectares, depending on infestation levels and the number of applications. Both the adequacy and effectiveness of those supplies depend to an extent on the use of appropriate delivery systems. In this context, the United Nations observation mechanism has provided assurances to members of the Security Council Committee that spares for agricultural helicopters and spraying equipment will be subject to rigorous United Nations monitoring. To assess the adequacy and effectiveness of inputs under resolution 986 (1995), an extensive and meaningful impact study must be conducted over one or two seasons to ascertain the total effect of inputs on the agricultural sector.

77. In the field of veterinary medicine, the reduction of the agricultural sector's $30 to $24 million under Phase I meant that veterinary supplies had to be reduced by 25 per cent, from $4 to $3 million. The Ministry of Agriculture decided to drop veterinary equipment from their procurement list owing to lack of funds but to maintain veterinary drugs and vaccines. This choice of inputs is aimed at maintaining productivity of all livestock and at safeguarding the higher-producing exotic dairy breeds and cross-breeds from one of the two most contagious infectious diseases of cattle that has been present in Iraq: foot-and-mouth disease. The procurement list also includes sufficient vaccine for the protection of the entire poultry population from the damaging Mareck's disease and an initial quantity of vaccine (followed by a second procurement under Phase II) for the enterotoxaemia disease, which affects sheep and goats. Other vaccines are produced locally, but their immunogenic potential is impaired owing to lack of materials and the excessive age of the mother seed. The

distribution of vaccines is at present at risk because of the poor state of the cold-chain infrastructure and available refrigerated transportation. Assessment of the incidence and control of A category infectious diseases (International Office of Epizootics classification) is not possible under the present allocation permitted by resolution 986 (1995), and no guarantee can be given as regards their spread to and from neighbouring countries.

78. In the electricity sector, following the installation and utilization of inputs authorized under Phases I and II, a small increase can be expected in the output of those power stations which receive the supplies. However, the technical assessment by the Government of Iraq, confirmed by United Nations observation, suggests that the increase will be offset by the rate of deterioration in other power stations and parts of the distribution network that have not benefited by then from inputs under resolutions 986 (1995) and 1111 (1997). Thus output and distribution in 1998 are expected to be lower than in 1997. It is easier to assess the impact of specific equipment distributed in the reporting period on the units or systems in which they are installed. The corten steel baskets for heating air gases at Baiji power stations are expected to last two years instead of the six months that was the operational life of locally produced substitutes.

79. In the education sector, a substantial proportion of children (about 25 per cent) are absent from primary school, and only 68 per cent of six-year-olds actually entered school in 1996, with a large disparity between rural and urban, 53 per cent and 75 per cent, respectively. United Nations observations conducted in 87 schools and a detailed infrastructure survey by UNICEF in mid-1997 of an additional 150 schools showed a severe shortage of desks, resulting in an average of four pupils sharing a desk for two and approximately 50 per cent of the students sitting on the floor, lack of teaching aids, buildings in dilapidated condition and a lack of operational water and sanitation facilities. United Nations observers estimate that the $18 million allocated for the primary education sector under Phases I and II in the 15 governorates will meet only 15 to 20 per cent of the most urgent requirements of the sector, namely, provision of textbooks, school desks and physical school rehabilitation. In view of the substantial budget shortfall, the Ministry of Education has taken immediate measures such as the recycling of primary and secondary textbooks from previous years. Non-formal education schools should be expanded to attain minimum basic learning for school drop-outs, street children and working children.

80. The resources provided for rehabilitation and resettlement under Phases I and II are minimal in relation to the needs of the target population. In addition, previous funding coming from other donors in this field has been discontinued, leaving assistance for resettlement relying almost entirely on the resolution 986 (1995) mechanism. Because of the present level of funding, a major improvement of the situation of internally displaced persons in northern Iraq should not be expected and the actions undertaken will remain mere palliatives.

81. In the area of vulnerable groups, UNICEF and WFP have been implementing a supplementary feeding programme countrywide to reach children and adults suffering from malnutrition. It is recognized in the various surveys undertaken

that malnutrition is a serious problem affecting all segments of the population. One third of children under 5 years of age and one quarter of men and women under 26 years of age are malnourished. Other age groups are also affected. United Nations agencies therefore feel that a new food basket with higher energy/protein/micronutrient content is required for the whole population. For persons who are still malnourished in spite of an improved food basket, an opportunity to be screened at the health centre level to obtain therapeutic feeding or food supplements or both, as well as nutrition education, is being provided. UNICEF is also involved in expanding the Yafeen school system for school drop-outs and street children and working children with flexible school schedules, a condensed version of the primary school curriculum, skill training and vocational education.

82. In paragraph 58 of my last report I had stated that, after extensive consultations, the Minister for Foreign Affairs of Iraq had informed me that, since no additional resources had been authorized under resolution 1111 (1997), the needs of vulnerable groups would be met outside the framework of the resolution. In approving the new distribution plan, I had informed the Government of Iraq that the United Nations accepts its assurances as a commitment that the necessary additional resources would be available for vulnerable groups in the 15 governorates. The Government's position has remained unchanged and no information has been provided on action taken by it regarding the vulnerable groups.

VIII. OBSERVATIONS AND RECOMMENDATIONS

83. In my previous reports I have drawn attention to the exceptional and unprecedented complexity of the programme. While the United Nations has long experience in implementing humanitarian programmes during periods of peace, conflict and post-conflict situations, it should be emphasized that the humanitarian programme pursuant to resolution 986 (1995) is unique and is being implemented within the context of a sanctions regime with all its attendant political and commercial dimensions. Nevertheless, we must bear in mind the human dimension in implementing the programme to meet the humanitarian needs of the Iraqi people.

84. I regret to report that, despite the ongoing implementation of resolutions 986 (1995) and 1111 (1997), the population of Iraq continues to face a serious nutritional and health situation and there is an urgent need to contain the risk of a further deterioration, as indicated in the present report. The slow and erratic pace at which humanitarian inputs arrive in Iraq has been very unsatisfactory. At the close of Phase II, there are still outstanding deliveries under Phase I, and the overwhelming majority of Phase II inputs have yet to be submitted, processed and/or approved. Although I welcome the considerable improvements made in the approval process under Phase II, much remains to be done to ensure that this results in an overall increase in the speed of implementation of the programme.

85. It is clear that there is an urgent need to undertake a systematic review of the whole process of contracting, processing of applications, approvals, procurement and shipment and distribution of the items concerned. This applies

to goods procured both by the Government of Iraq and by the United Nations system. There is also a need to review the operating difficulties of the distribution systems, in particular those related to the food and health sectors, and the extent to which the deterioration of basic infrastructure in other sectors is undermining the value of humanitarian inputs.

86. The Council will also appreciate the necessity of reviewing the nutritional value of the current food basket both in relation to the general population and also to the specific, pressing needs of those most at risk of malnutrition. United Nations observers have repeatedly stressed the extent to which a genuine improvement in the nutritional status of the population also depends on concomitant improvements in other sectors.

87. I am conscious of the extent to which initial hopes of resolution 986 (1995) have created expectations that are difficult, if not impossible, to meet. With the benefit of almost a year's experience in implementing the programme, it may be timely to re-emphasize the importance of realism and pragmatism. Even if all supplies arrived on time, what is being provided under resolutions 986 (1995) and 1111 (1997) would be insufficient to address, even as a temporary measure, all the humanitarian needs of the Iraqi people. Moreover, in view of identified needs that remain unmet, I appeal to the international community to continue humanitarian programmes throughout the country.

88. In the light of the above observations, there are a variety of initiatives that ought to be taken in order to ensure achievement of the objectives of resolutions 986 (1995) and 1111 (1997). Given the scale of urgent humanitarian requirements in Iraq, the Security Council may wish to re-examine the adequacy of the revenues as envisaged by resolutions 986 (1995) and 1111 (1997) and to consider the possibility of increasing those revenues to meet Iraq's priority humanitarian requirements. In order to assist the Council, I have requested the Office of the Iraq Programme, taking into full account the relevant resolutions of the Security Council and the memorandum of understanding, to review with the assistance of all concerned the priority requirements in all relevant sectors, with particular emphasis on enhancing the efficiency and adequacy of the distribution plan.

89. In order to ensure that authorized supplies are received in a timely manner, I have also directed the Office of the Iraq Programme to formulate recommendations that identify and address concerns over processing and supply issues, in particular to devise a system that ensures that interrelated applications are clearly identified as such and brought to the attention of the Security Council Committee.

90. I intend to submit a supplementary report to the Council in the early part of 1998, giving my observations and recommendations following the completion of the above-mentioned programme and process reviews.

91. I welcome the efforts made by the Security Council Committee to refine and clarify its working procedures; I encourage the Committee to go further in that direction in order to expedite the approval process. The Secretariat stands ready to assist the Committee, as appropriate.

92. I take this opportunity to express my appreciation for the dedication and commitment of all staff members of the United Nations system involved in the implementation of the programme, under complex and, at times, difficult conditions. I also wish to express my appreciation to the Government of Iraq for its continued cooperation.

93. In view of continuing humanitarian needs, I recommend that the Security Council extend the provisions of resolution 986 (1995) for a further six-month period.

ANNEX I

Food commodity arrivals, distributed and stock balance, as at 15 November 1997 and ration scale implemented

Commodity	Cumulative arrivals	Quantity distributed as at 15 Nov. 1997	Stock balance available	Ration scale		Ration scale implemented					
				Government of Iraq (GOI)	Resolution 986 (1995)	June	July	Aug.	Sept.	Oct.	Nov.
	Tons			(Kilograms)							
Wheat	1 652 703.00	1 642 775.07	9 927.93	7.00	9.00	986	986	986	986	986	986
Rice	333 353.00	313 814.74	19 538.26	1.25	2.50	GOI	986	986	986	986	986
Pulses	122 164.00	110 883.66	11 280.34	–	1.00	986	986*	986	986	986*	–
Vegetable oil	141 051.00	127 459.65	13 591.35	0.75	1.00	986	986	986	986	GOI	986*
Sugar	248 693.00	217 083.06	31 609.94	0.50	2.00	GOI	986	986	986	986	986
Tea	16 959.00	15 649.55	1 309.45	0.10	0.15	GOI	986	986	986	986	986*
Infant formula	8 103.00	5 853.52	2 249.48	1.80	2.70	986	986	986	986	986	986
Salt	19 231.00	15 835.82	3 395.18	–	0.15	986	986	986	986	–	986*
Toilet soap	31 220.00	29 683.17	1 536.83	0.15	0.25	986	986	986	986	GOI	986*
Detergents	38 823.00	38 323.00	500.00	0.25	0.35	GOI	986	986	986	986	–
Total	2 612 300.00	2 517 361.24	94 938.76								

* Reduced ration scale.

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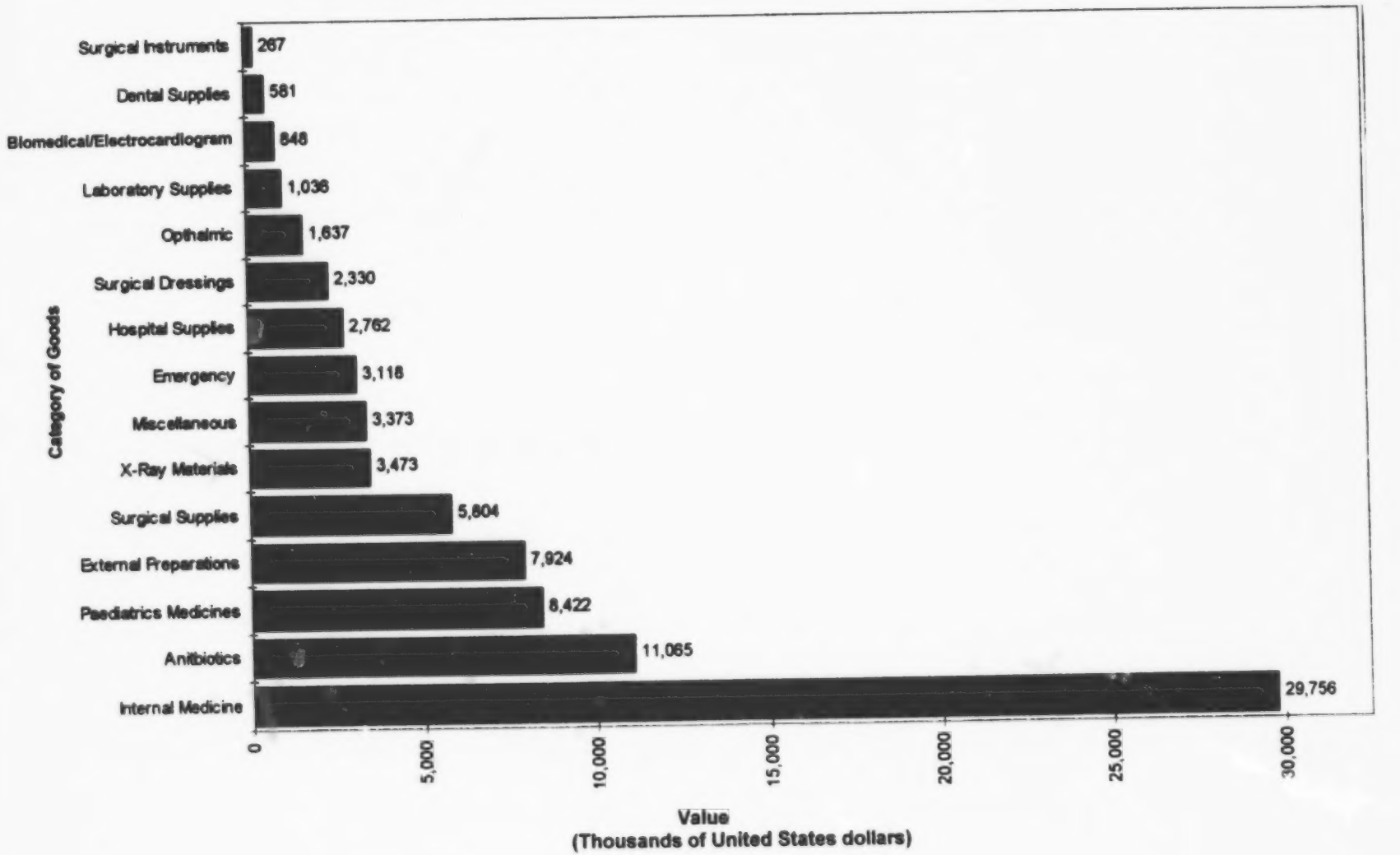
ANNEX II

Medical supplies received by 15 November 1997, by category and value



ANNEX III

Observation coverage during the period from 5 June to 15 November 1997

A. Observation coverage by sector

Agency	Sector						
	Food	Medicine	Agriculture	Electricity	Water/ sanitation	Education	Total
Geographical observation unit	23 472	1 421	2	7	14	6	24 922
United Nations Children's Fund	-	-	-	-	93	87	180
World Health Organization	-	1 588	-	-	-	-	1 588
World Food Programme*	149 090	-	-	-	-	-	149 090
Food and Agriculture Organization of the United Nations	-	-	79	-	-	-	79
United Nations Educational, Scientific and Cultural Organization	-	-	-	-	-	6	6
United Nations Development Programme/Department of Economic and Social Affairs of the Secretariat	-	-	-	15	-	-	15
Total	172 562	3 009	81	22	107	99	175 880

* Includes 144,652 observations by national assistants.

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B. Observation coverage by United Nations international observers

Governorate	Food sector		Medical sector		Total, food and medical		
	Geographical observation unit	World Food Programme	Geographical observation unit	World Health Organization	Geographical	Sectoral	Combined
Ninawa	1 455	324	88	65	1 543	389	1 932
Ta'mim	2 051	176	113	74	2 164	250	2 414
Baghdad	2 592	721	217	280	2 809	1 001	3 810
Salah ad Din	1 616	206	80	79	1 696	285	1 981
Diyala	1 291	327	73	26	1 364	353	1 717
Anbar	1 438	280	94	45	1 532	325	1 857
Babil	1 269	460	86	89	1 355	549	1 904
Karbala	1 300	254	86	76	1 386	330	1 716
Najaf	1 129	246	110	112	1 239	358	1 597
Qadisiya	1 029	215	74	32	1 103	247	1 350
Muthanna	929	181	57	93	986	274	1 260
Basrah	2 001	280	108	55	2 109	335	2 444
Maysan	2 061	108	58	29	2 119	137	2 256
Dhi Qar	1 295	177	64	82	1 359	259	1 618
Wasit	1 758	218	76	107	1 834	325	2 159
Subtotal, south and centre	23 214	4 173	1 384	1 244	24 598	5 417	30 015
Dahuk	71	122	4	118	75	240	315
Erbil	124	92	21	148	145	240	385
Sulaymaniyah	73	64	12	78	85	142	227
Subtotal, north	268	278	37	344	305	622	927
Grand total	23 482	4 451	1 421	1 588	24 903	6 039	30 942